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POSITION PAPER
No. 4
FINANCIAL ASSISTANCE
FOR
POLLUTION CONTROL

Alberta. Dept. of the Environment

POSITION PAPER ON FINANCIAL ASSISTANCE FOR POLLUTION CONTROL

The Government of the Province of Alberta finds no cause or need to offer direct monetary grants to industry for pollution control purposes. Such grants are considered to mitigate against the establishment of viable and responsible enterprises, as they distort the relative regional inter-provincial and even national economic character of such enterprises. Industry must consider pollution control costs as an integral part of the costs of production. It is the government's intent to generate a climate of responsibility and concern for the environment on the part of all enterprise. Furthermore, government will pursue performance on the part of industry through mutual co-operation, as well as through stringent enforcement of legislation and regulations. Only under the most extreme and extenuating circumstances will anti-pollution grants of any kind be considered for industry — such being for rehabilitation of an existing industry, so that it may conform with stringent standards, while also preventing a major loss of jobs. Provincial government loans for pollution control equipment and facilities will be made through the Alberta Opportunity Fund, in accordance with the provisions of that Act. The government of Alberta excludes by statute the assessment and taxation of all lands and equipment used for pollution control purposes. Furthermore, the government of Canada provides to industry the opportunity for accelerated write-off of the capital costs for pollution control equipment and facilities, in accordance with its accelerated capital cost allowance program.

It is the general policy of the provincial government not to assist municipalities by offering direct pollution control grants for the engineering design, and construction of sewage disposal facilities and trunk line sewers, except under extenuating circumstances where severe health hazards may exist.

Under the Municipalities Assistance Act, the province provides unconditional grants to all municipalities for the conduct of their affairs. A revision to this statute in 1970 permits the province to direct a portion of such grants to alleviate or control pollution for which the municipality is responsible.

The provincial government also approves federal government C.M.H.C. loans for sewage disposal facilities. The federal government loans cover two-thirds of the cost of such facilities, of which 25% is granted as a forgivable loan. Nevertheless, the provincial government recognizes that municipalities are reluctant to install modern and adequate facilities for sewage treatment because of the high capital cost of such facilities and the burden of existing municipal debt. The government recognizes that such difficulties are particularly magnified in municipalities, which fall in either of the following two catagories:

Category I — Rapidly growing communities which are requested or find it advisable to install sewage disposal facilities having a capacity far in excess of present requirements.

Category II — Communities which are experiencing a rapid decline in population, but which are sustaining a high per capita debt incurred by the construction of modern sewage disposal facilities.

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"Municipality" means a city, town, village, county, hamlet, summer village, municipal district, improvement district, and special area, and includes a school district situated in a national park, and such other administrative entities established under the Municipal Government Act.

The government of Alberta is committed to a program of balanced growth across the province. There is a recognition that if industry is to be established throughout Alberta towns, it is necessary to make as many towns as possible industrially viable. There is therefore a requirement to provide adequate transportation facilities, equitable power rates, water and sewage facilities before towns can become suitable candidates for the location of secondary industries. The government of Alberta recognizes this fact and is therefore establishing a Municipal Finance Assistance Program, which will assist the municipalities in their ability to pay for sewage disposal facilities. The program will be administered by the Department of The Environment, with cooperation from the Department of Municipal Affairs. Funding will be administered by the Alberta Municipal Finance Corporation. Funds will initially be provided from the general revenue of the province, with the possibility of establishing a revolving fund in subsequent years.

The formula developed for this equitable province-wide program is detailed in the attached report. Basically, the formula is based on the per capita sewage treatment debenture load being carried by a municipality, less a pre-determined amount. Presently, yearly assistance will be made available to a municipality when their current per capita capital debenture load for sewage treatment facilities exceeds $150. – which debenture load is being carried at an average interest rate of 7¾% per annum. The "Municipal Sewage Treatment Assistance Program" will utilize as a basis for the program the guidelines currently used by Central Mortgage & Housing Corporation for their sewage treatment assistance program under Part VI B of the National Housing Act. Based on a debenture interest rate of 7¾%, an annual per capita outlay of $13.76 is required to retire in 25 years a capital loan equal to $150. per capita. It is therefore policy of the government of Alberta to provide yearly assistance equal to the difference between the total current debenture cost of a municipality for all its sewage treatment capital costs and $13.76 on a per capita basis. Such assistance will be carried by the province on an interest-free basis. Conversely, as the population of a municipality increases so that the current per capita debenture maintenance drops below the pre-determined amount, then the municipality shall return to the government on an annual basis the difference on a per capita basis until the municipality has returned all the assistance back to the government, or until the debenture is retired. Communities which are experiencing a declining population and qualify for annual assistance will continue to receive such annual assistance until the capital debenture is retired with no payback to the province. The grant portion of all C.M.H.C. loans for sewage treatment facilities will not be considered to be part of the debenture load of any municipality in qualifying for assistance under this program. The pertinent aspects of the program are as follows:

1. The Municipal Sewage Treatment Assistance Program will become effective in the fiscal year 1973-1974.

2. Cost of the Program to the provincial government initially will be approximately one million dollars a year.

3. The Program has self-liquidating aspects, based on the ability of a municipality to pay, and is not a "grant" program.

4. The maximum yearly cost per capita, for the provision of sewage treatment facilities will presently be established at $13.76.

5. Sewage treatment (capital) costs would be spread more evenly over future populations.

6. A degree of cost equalization, for the provision of sewage treatment facilities will be provided throughout the province.

7. The program will help prevent financial hardships on the people that originate sewage treatment facilities, but which are also utilized by the future population.

8. The program considers the normal per capita cost necessary to provide secondary sewage treatment and sets a maximum per capita contribution for liquid waste treatment.

9. A per capita, capital cost of $150. is approximately the cost required for providing private sewage disposal systems (assuming an average family of four). There is thus an equalization of cost for providing sewage treatment facilities between urban and rural dwellers.

The attached report contains additional detailed matter regarding the formulation of this policy. The report contains a review of the municipal sewage treatment debenture load for each municipality. The per capita load indicated in the report is preliminary only and will be updated for each municipality before the Municipal Finance Assistance Program becomes effective in 1973. The onus will be placed on the municipality to establish and provide proof to the Department of the amount of the current per capita debenture load being carried when applying for assistance under the Program. Assistance to any municipality shall only be provided on a basis of a contractual agreement between the province and the said municipality.

All new sewage disposal facilities, additions or alterations to existing facilities will require Department of The Environment approval under the pertinent statutes and will be subjected to the priorities established by the government. The provincial government will be establishing such regulations as may be necessary to properly administer the assistance program and shall make such changes to the program as from time to time it considers necessary.

The entire program will be administered under the statutory provisions of the Department of The Environment Act and the Clean Water Act.

May, 1972.